

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Township of Johnstown	County Barry
Fiscal Year End 3/31/07	Opinion Date July 26, 2007	Date Audit Report Submitted to State September 5, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

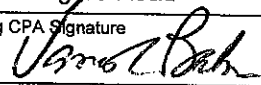
YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>	No further communication required	
Other (Describe)	<input checked="" type="checkbox"/>	SAS 112	
Certified Public Accountant (Firm Name) Siegfried Crandall, PC		Telephone Number (269)381-4970	
Street Address 246 East Kilgore Road		City Kalamazoo	State MI
Zip 49002		License Number 1101010743	
Authorizing CPA Signature 		Printed Name James C. Baker	

Township of Johnstown
Barry County, Michigan
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
Year ended March 31, 2007

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Township of Johnstown, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Johnstown, Michigan, as of March 31, 2007, and for the year then ended, which collectively comprise the Township's basic financial statements, as listed in the contents. These financial statements are the responsibility of the Township of Johnstown, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Johnstown, Michigan, as of March 31, 2007, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

The budgetary comparison information, on pages 17 through 21, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Township of Johnstown, Michigan has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Johnstown, Michigan's, basic financial statements. The supplementary information, as listed in the contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Siegfried Crandall P.C.

July 26, 2007

BASIC FINANCIAL STATEMENTS

Township of Johnstown
STATEMENT OF NET ASSETS
March 31, 2007

	<u>Governmental activities</u>
ASSETS	
Current assets:	
Cash	\$ 1,327,349
Receivables, net	143,776
Prepaid expenses	<u>17,590</u>
Total current assets	<u>1,488,715</u>
Noncurrent assets:	
Receivables, net	102,325
Capital assets not being depreciated	5,012
Capital assets, net of accumulated depreciation	<u>368,590</u>
Total noncurrent assets	<u>475,927</u>
Total assets	<u>1,964,642</u>
LIABILITIES	
Current liabilities:	
Payables	16,012
Deferred revenue	24,750
Contract payable	<u>51,163</u>
Total current liabilities	91,925
Noncurrent liabilities - contract payable	<u>102,325</u>
Total liabilities	<u>194,250</u>
NET ASSETS	
Invested in capital assets	373,602
Restricted for:	
Perpetual care	3,346
Public works	71,043
Unrestricted	<u>1,322,401</u>
Total net assets	<u>\$ 1,770,392</u>

See notes to financial statements

Township of Johnstown
STATEMENT OF ACTIVITIES
Year ended March 31, 2007

		Program Revenues		
		Charges for	Operating	Capital
	<u>Expenses</u>	<u>services</u>	<u>grants and</u>	<u>grants and</u>
Functions/Programs			<u>contributions</u>	<u>contributions</u>
Governmental activities:				
Legislative	\$ 8,328	\$ -	\$ -	\$ -
General government	140,380	28,734	-	6,792
Public safety	155,270	2,800	-	18,544
Public works	114,608	24,650	3,855	-
Health and welfare	2,500	-	-	-
Culture and recreation	24,954	-	-	-
Debt service - interest	<u>7,894</u>	<u>7,894</u>	<u>-</u>	<u>-</u>
 Total governmental activities	 <u>\$ 453,934</u>	 <u>\$ 64,078</u>	 <u>\$ 3,855</u>	 <u>\$ 25,336</u>
General revenues:				
Taxes				
State grants				
Franchise fees				
Investment income				
Other				
Total general revenues				
Change in net assets				
Net assets - beginning				
Net assets - ending				

***Net (expenses)
revenues and
changes in
net assets***

\$ (8,328)
(104,854)
(133,926)
(86,103)
(2,500)
(24,954)

—

(360,665)

229,710
208,644
1,125
41,085
529

481,093

120,428

1,649,964

\$ 1,770,392

See notes to financial statements

Township of Johnstown
BALANCE SHEET - governmental funds
 March 31, 2007

		<u>Special revenue</u>			
	<u>General</u>	<u>Roads</u>	<u>Fire</u>	<u>Fine Lake Aquatic</u>	<u>Building</u>
ASSETS					
Cash	\$ 311,295	\$ 167,302	\$ 275,908	\$ 69,498	\$ 500,000
Receivables	48,996	3,434	6,869	26,295	-
Prepaid expenses	17,590	-	-	-	-
Total assets	<u>\$ 377,881</u>	<u>\$ 170,736</u>	<u>\$ 282,777</u>	<u>\$ 95,793</u>	<u>\$ 500,000</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Payables	\$ 8,993	\$ -	\$ -	\$ -	\$ -
Deferred revenue	-	-	-	24,750	-
Total liabilities	<u>8,993</u>	<u>-</u>	<u>-</u>	<u>24,750</u>	<u>-</u>
Fund balances:					
Reserved for perpetual care	-	-	-	-	-
Unreserved, undesignated	<u>368,888</u>	<u>170,736</u>	<u>282,777</u>	<u>71,043</u>	<u>500,000</u>
Total fund balances	<u>368,888</u>	<u>170,736</u>	<u>282,777</u>	<u>71,043</u>	<u>500,000</u>
Total liabilities and fund balances	<u>\$ 377,881</u>	<u>\$ 170,736</u>	<u>\$ 282,777</u>	<u>\$ 95,793</u>	<u>\$ 500,000</u>

Total fund balances

Amounts reported for *governmental activities* in the statement of net assets (page 4) are different because:

Capital assets used in *governmental activities* are not financial resources and, therefore, are not reported in the funds.

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.

Long-term liabilities, including contracts payable, are not due and payable in the current period and, therefore, are not reported in the funds.

Net assets of *governmental activities*

<u>Debt service</u>	<u>Total nonmajor</u>	<u>Total</u>
<u>Sewer</u>	<u>governmental</u>	<u>governmental</u>
<u>funds</u>	<u>funds</u>	

\$ -	\$ 3,346	\$ 1,327,349
158,439	2,068	246,101
-	-	17,590
<u>\$ 158,439</u>	<u>\$ 5,414</u>	<u>\$ 1,591,040</u>

\$ 4,951	\$ 2,068	\$ 16,012
<u>153,488</u>	<u>-</u>	<u>178,238</u>
158,439	2,068	194,250

-	3,346	3,346
<u>-</u>	<u>-</u>	<u>1,393,444</u>
-	3,346	1,396,790

<u>\$ 158,439</u>	<u>\$ 5,414</u>	<u>\$ 1,591,040</u>
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\$ 1,396,790

373,602

153,488

(153,488)

\$ 1,770,392

See notes to financial statements

Township of Johnstown

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND

BALANCES - governmental funds

Year ended March 31, 2007

	<i>Special revenue</i>				
	<i>General</i>	<i>Road</i>	<i>Fire</i>	<i>Fine Lake Aquatic</i>	<i>Building</i>
REVENUES					
Taxes	\$ 103,141	\$ 41,217	\$ 82,450	\$ -	\$ -
Federal grants	17,349	-	-	-	-
State grants	212,499	-	-	-	-
Charges for services	10,607	-	-	-	-
Interest	26,028	7,021	7,276	740	-
Other	1,724	-	-	24,650	-
Total revenues	<u>371,348</u>	<u>48,238</u>	<u>89,726</u>	<u>25,390</u>	<u>-</u>
EXPENDITURES					
Legislative	8,328	-	-	-	-
General government	135,727	-	-	-	-
Public safety	92,074	-	-	-	-
Public works	105,518	-	-	9,090	-
Health and welfare	2,500	-	-	-	-
Recreation and culture	-	-	-	-	-
Capital outlay	22,884	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total expenditures	<u>367,031</u>	<u>-</u>	<u>-</u>	<u>9,090</u>	<u>-</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>4,317</u>	<u>48,238</u>	<u>89,726</u>	<u>16,300</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	25,000	-	-	-	-
Transfers out	-	(25,000)	-	-	-
Total other sources (uses)	<u>25,000</u>	<u>(25,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	29,317	23,238	89,726	16,300	-
FUND BALANCES - BEGINNING	<u>339,571</u>	<u>147,498</u>	<u>193,051</u>	<u>54,743</u>	<u>500,000</u>
FUND BALANCES - ENDING	<u>\$ 368,888</u>	<u>\$ 170,736</u>	<u>\$ 282,777</u>	<u>\$ 71,043</u>	<u>\$ 500,000</u>

<u>Debt Service</u>	<u>Total nonmajor governmental funds</u>	<u>Total governmental funds</u>
<u>Sewer</u>		
\$ -	\$ 24,954	\$ 251,762
-	-	17,349
-	-	212,499
-	-	10,607
7,894	20	48,979
55,202	-	81,576
<u>63,096</u>	<u>24,974</u>	<u>622,772</u>
-	-	8,328
-	-	135,727
-	-	92,074
-	-	114,608
-	-	2,500
-	24,954	24,954
-	-	22,884
55,202	-	55,202
7,894	-	7,894
<u>63,096</u>	<u>24,954</u>	<u>464,171</u>
<u>-</u>	<u>20</u>	<u>158,601</u>
-	-	25,000
-	-	(25,000)
<u>-</u>	<u>-</u>	<u>-</u>
-	20	158,601
-	3,326	1,238,189
<u>\$ -</u>	<u>\$ 3,346</u>	<u>\$ 1,396,790</u>

See notes to financial statements

Township of Johnstown

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - *governmental funds* (Continued)**

Year ended March 31, 2006

	<i>Total governmental funds</i>
Net change in fund balances - total governmental funds	\$ 158,601
Amounts reported for <i>governmental activities</i> in the statement of activities (page 5) are different because:	
Capital assets:	
Assets acquired	25,974
Provision for depreciation	(64,147)
Long-term debt - principal repayments	55,202
Changes in other assets/liabilities:	
Net decrease in deferred revenue	<u>(55,202)</u>
Change in net assets of <i>governmental activities</i>	<u>\$ 120,428</u>

See notes to financial statements

Township of Johnstown
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Township of Johnstown, Michigan (the Township), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governments. The following is a summary of the more significant policies.

a) Reporting entity:

The accompanying financial statements present only the Township. There are no component units, entities for which the Township is considered to be financially accountable.

b) Government-wide and fund financial statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Township. The effect of inter-fund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

c) Measurement focus, basis of accounting, and financial statement presentation:

The government-wide financial statements are reported using the economic resources, measurement focus, and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources, measurement focus, and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township generally considers property tax revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Township of Johnstown
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) Measurement focus, basis of accounting, and financial statement presentation (continued):

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable only when cash is received by the government.

The Township reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

The Road Fund accounts for the financial resources used for the operational costs of the Township public works functions. Revenues are primarily derived from property taxes.

The Fire Fund accounts for the financial resources used for the operational costs of the Township public safety functions. Revenues are primarily derived from property taxes.

The Fine Lake Aquatic Fund accounts for weed control financed through special assessments.

The Building Fund accounts for amounts designated for building improvements.

The Sewer Debt Service Fund accounts for the issuance and payment of debt related to sewer improvements.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board (GASB).

The Township utilizes a single fiduciary fund, its Tax Collection Fund, which account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted as they are needed.

d) Assets, liabilities, and net assets or equity:

i) Bank deposits - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Pooled interest income is proportionately allocated to all funds.

Township of Johnstown
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

d) Assets, liabilities, and net assets or equity (continued):

ii) Receivables - In general, outstanding balances between funds are reported as "due to/from other funds." No allowance for uncollectible accounts has been recorded as the Township considers all receivables to be fully collectible.

iii) Prepaid items - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

iv) Capital assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, sidewalks, and similar items), are reported in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$1,000 (\$10,000 for infrastructure assets) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Governments can elect to account for infrastructure assets either retroactively to June 15, 1980, or prospectively. The Township has elected to account for infrastructure assets prospectively, beginning April 1, 2004.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	20 - 40 years
Equipment	3 - 5 years
Vehicles	10 - 15 years

v) Deferred revenue - In the fund financial statements, governmental funds report deferred revenue in connection with resources for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned.

vi) Fund equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

vii) Property tax revenue recognition - Property taxes are levied as of December 1 on property values assessed as of December 31 of the prior year. The billings are due on or before February 14, after which time the bill becomes delinquent and penalties and interest may be assessed by the Township. Property tax revenue is recognized in the year for which taxes have been levied and become available. The Township levy date is December 1, and, accordingly, the total levy is recognized as revenue in the current year.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The budget document presents information by fund, function, and department. The legal level of budgetary control adopted by the governing body is the function level. All annual appropriations lapse at the end of the fiscal year.

Township of Johnstown
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued):

The following schedule set forth significant budget variations:

<u>Fund</u>	<u>Function</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General	Public safety	\$89,456	\$92,074	\$ 2,618

NOTE 3 - CASH:

State statutes and the Township's investment policy authorize the Township to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations. The Township's deposits are in accordance with statutory authority. At March 31, 2007, the Township had deposits with a carrying amount of \$1,327,348.

Custodial credit risk is the risk that, in the event of the failure of a financial institution, the Township will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by federal depository insurance and are uncollateralized. At March 31, 2007, \$663,259 of the Township's bank balances of \$1,358,829 was exposed to custodial credit risk because it was uninsured and uncollateralized.

The Township believes that it is impractical to insure all bank deposits due to the amounts of the deposits and the limits of FDIC insurance. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the risk level of each institution. Only the institutions with an acceptable estimated risk level are used as depositories.

NOTE 4 - RECEIVABLES:

Receivables as of year end for the Township's individual major and nonmajor funds, in the aggregate, are as follows:

<u>Fund</u>	<u>Interest</u>	<u>Property taxes</u>	<u>Special assessments</u>	<u>Inter- governmental</u>	<u>Total</u>
General	\$ -	\$ 8,372	\$ -	\$ 40,624	\$ 48,996
Roads	-	3,434	-	-	3,434
Fire	-	6,869	-	-	6,869
Fine Lake Aquatic	45	-	26,250	-	26,295
Sewer Debt Service	655	-	157,784	-	158,439
Nonmajor funds	-	2,068	-	-	2,068
Totals	<u>\$ 700</u>	<u>\$ 20,743</u>	<u>\$ 184,034</u>	<u>\$ 40,624</u>	<u>\$ 246,101</u>
Noncurrent portion	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 102,325</u>	<u>\$ -</u>	<u>\$ 102,325</u>

All receivables are considered fully collectible.

Township of Johnstown
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - CAPITAL ASSETS:

Capital asset activity for the year ended March 31, 2007, was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Capital assets not being depreciated - land	\$ 5,012	\$ -	\$ -	\$ 5,012
Capital assets being depreciated:				
Buildings and improvements	105,420	-	-	105,420
Equipment	170,170	25,974	-	196,144
Vehicles	758,428	-	-	758,428
Subtotal	1,034,018	25,974	-	1,059,992
Less accumulated depreciation for:				
Buildings and improvements	(72,726)	(3,148)	-	(75,874)
Equipment	(110,176)	(23,210)	-	(133,386)
Vehicles	(444,353)	(37,789)	-	(482,142)
Subtotal	(627,255)	(64,147)	-	(691,402)
Total capital assets being depreciated, net	406,763	(38,173)	-	368,590
Governmental activities capital assets, net	\$ 411,775	\$ (38,173)	\$ -	\$ 373,602

Depreciation expense was charged to functions of the Township as follows:

Governmental activities:	
General government	\$ 2,978
Public safety	61,169
Total governmental activities	\$ 64,147

NOTE 6 - DEFERRED REVENUE:

As of March 31, 2007, the various components of deferred revenues are as follows:

	<u>Unearned</u>	<u>Unavailable</u>	<u>Totals</u>
Special assessments	\$ 24,750	\$ 153,488	\$178,238

Township of Johnstown
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 7 - LONG-TERM DEBT:

Long-term debt at March 31, 2007, is comprised of the following issue:

Special assessment debt with governmental commitment:

The Township has a contractual agreement to remit to the Southwest Barry County Sewer and Water Authority all principal and interest collections arising from special assessments levied on properties served by the Authority. The Township is contingently liable for \$425,712 of outstanding water and sewer system contracts payable, in excess of the amounts which are to be repaid from collections of special assessments currently levied against properties within the Township. The Township has pledged its full faith and credit toward the total amounts due and anticipates that additional future assessments and other customer charges will be used to pay the contract liabilities.

Long-term liability activity for the year ended March 31, 2007, was as follows:

Beginning	\$208,690
Additions	-
Reductions	<u>(55,202)</u>
Ending	<u>\$153,488</u>
Amounts due within one year	<u>\$ 51,163</u>

Debt service requirements at March 31, 2007, were as follows:

<i>Year ended</i> <i>March 31:</i>	<i>Principal</i>	<i>Interest</i>
2008	51,163	9,209
2009	51,163	6,140
2010	<u>51,162</u>	<u>3,070</u>
Totals	<u>\$153,488</u>	<u>\$ 18,419</u>

Township of Johnstown
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 8 - INTERFUND TRANSFERS:

A summary of interfund transfers for the year ended March 31, 2007, as follows:

<u>Fund</u>	<u>Transfer in</u>	<u>Fund</u>	<u>Transfer out</u>
General	<u>\$ 25,000</u>	Road	<u>\$ 25,000</u>

The transfer to the General Fund represents restricted revenues collected in the Road Fund to pay for operational costs of the public work functions accounted for in the General Fund.

NOTE 9 - PENSION PLAN:

The Township provides pension benefits for its elected officials through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Employees are eligible to participate from the date of employment. The Township's contributions are vested after six months of continuous service. The Township made the required contributions of \$20,913 for the year ended March 31, 2007.

The Township is not a trustee of the plan, nor is the Township responsible for investment management of plan assets.

NOTE 10 - RISK MANAGEMENT:

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for each of these claims and is neither self-insured, nor participates in a shared-risk pool. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 11 - JOINTLY GOVERNED ENTITY:

The Township, together with the Townships of Barry, Hope, and Prairieville established the Southwest Barry County Sewer and Water Authority (the Authority), under the provisions of Act 233 of 1955, to operate, maintain, administer, and manage a sewage collection and disposal system. The governing body of the Authority is made up of the supervisors of each member township. Membership does not convey an equity interest in the organization. Operating costs are financed through user fees, and debt service costs are paid from special assessments upon benefited properties.

REQUIRED SUPPLEMENTARY INFORMATION

Township of Johnstown
BUDGETARY COMPARISON SCHEDULE - General Fund
Year ended March 31, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Taxes	\$ 96,500	\$ 96,500	\$ 103,141	\$ 6,641
Federal grants	-	17,349	17,349	-
State grants	210,000	210,000	212,499	2,499
Charges for services	18,500	18,500	10,607	(7,893)
Interest	8,000	8,000	26,028	18,028
Other	2,800	3,995	1,724	(2,271)
Total revenues	<u>335,800</u>	<u>354,344</u>	<u>371,348</u>	<u>17,004</u>
EXPENDITURES				
Legislative	<u>9,200</u>	<u>9,200</u>	<u>8,328</u>	<u>872</u>
General government:				
Supervisor	17,645	17,645	17,164	481
Election	5,300	5,500	5,462	38
Assessor	21,900	21,900	21,204	696
Clerk	21,660	21,660	20,969	691
Board of review	1,385	1,385	1,092	293
Treasurer	24,060	24,060	22,896	1,164
Hall and grounds	8,100	8,100	6,862	1,238
Cemetery	9,400	9,750	9,716	34
Other	32,000	32,800	30,362	2,438
Total general government	<u>141,450</u>	<u>142,800</u>	<u>135,727</u>	<u>7,073</u>
Public safety - fire protection	<u>88,000</u>	<u>89,456</u>	<u>92,074</u>	<u>(2,618)</u>
Public works:				
Highways and streets	104,250	104,250	102,029	2,221
Street lights	1,000	1,000	987	13
Transfer station	2,550	2,550	2,502	48
Total public works	<u>107,800</u>	<u>107,800</u>	<u>105,518</u>	<u>2,282</u>

Township of Johnstown**BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)**

Year ended March 31, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
EXPENDITURES (Continued)				
Health and welfare - ambulance	<u>\$ 2,500</u>	<u>\$ 2,500</u>	<u>\$ 2,500</u>	<u>\$ -</u>
Capital outlay	<u>13,300</u>	<u>31,844</u>	<u>22,884</u>	<u>8,960</u>
Total expenditures	<u>362,250</u>	<u>383,600</u>	<u>367,031</u>	<u>16,569</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(26,450)	(29,256)	4,317	33,573
OTHER FINANCING SOURCES				
Transfers from Road Fund	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(1,450)	(4,256)	29,317	33,573
FUND BALANCES - BEGINNING	<u>339,571</u>	<u>339,571</u>	<u>339,571</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 338,121</u>	<u>\$ 335,315</u>	<u>\$ 368,888</u>	<u>\$ 33,573</u>

Township of Johnstown
BUDGETARY COMPARISON SCHEDULE - Road Fund
Year ended March 31, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Taxes	\$ 38,500	\$ 38,500	\$ 41,217	\$ 2,717
Interest	<u>2,000</u>	<u>2,000</u>	<u>7,021</u>	<u>5,021</u>
Total revenues	40,500	40,500	48,238	7,738
OTHER FINANCING USES				
Transfer to General Fund	<u>(25,000)</u>	<u>(25,000)</u>	<u>(25,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	15,500	15,500	23,238	7,738
FUND BALANCES - BEGINNING	<u>147,498</u>	<u>147,498</u>	<u>147,498</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 162,998</u>	<u>\$ 162,998</u>	<u>\$ 170,736</u>	<u>\$ 7,738</u>

Township of Johnstown
BUDGETARY COMPARISON SCHEDULE - Fire Fund
Year ended March 31, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Taxes	\$ 76,400	\$ 76,400	\$ 82,450	\$ 6,050
Interest	<u>1,000</u>	<u>1,000</u>	<u>7,276</u>	<u>6,276</u>
NET CHANGE IN FUND BALANCE	77,400	77,400	89,726	12,326
FUND BALANCES - BEGINNING	<u>193,051</u>	<u>193,051</u>	<u>193,051</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 270,451</u>	<u>\$ 270,451</u>	<u>\$ 282,777</u>	<u>\$ 12,326</u>

Township of Johnstown**BUDGETARY COMPARISON SCHEDULE - Fine Lake Aquatic Fund**

Year ended March 31, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Interest	\$ -	\$ -	\$ 740	\$ 740
Other - special assessments	<u>25,000</u>	<u>25,000</u>	<u>24,650</u>	<u>(350)</u>
Total revenues	25,000	25,000	25,390	390
EXPENDITURES				
Public works	<u>16,500</u>	<u>16,500</u>	<u>9,090</u>	<u>7,410</u>
NET CHANGE IN FUND BALANCE	8,500	8,500	16,300	7,800
FUND BALANCES - BEGINNING	<u>54,743</u>	<u>54,743</u>	<u>54,743</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 63,243</u>	<u>\$ 63,243</u>	<u>\$ 71,043</u>	<u>\$ 7,800</u>

SUPPLEMENTARY INFORMATION

Township of Johnstown
COMBINING BALANCE SHEET - nonmajor governmental funds
March 31, 2007

	<u>Special revenue</u>	<u>Permanent</u>	
	<u>Library</u>	<u>Cemetery Perpetual Care</u>	<u>Total</u>
ASSETS			
Cash	\$ -	\$ 3,346	\$ 3,346
Receivables	<u>2,068</u>	<u>-</u>	<u>2,068</u>
Total assets	<u>\$ 2,068</u>	<u>\$ 3,346</u>	<u>\$ 5,414</u>
FUND BALANCES			
Liabilities - payables	\$ 2,068	\$ -	\$ 2,068
Fund balances - reserved for perpetual care	<u>-</u>	<u>3,346</u>	<u>3,346</u>
Total liabilities and fund balances	<u>\$ 2,068</u>	<u>\$ 3,346</u>	<u>\$ 5,414</u>

Township of Johnstown**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - nonmajor governmental funds**

Year ended March 31, 2007

	<u>Special revenue</u>	<u>Permanent</u>	
	<u>Library</u>	<u>Cemetery Perpetual Care</u>	<u>Total</u>
REVENUES			
Taxes	\$ 24,954	\$ -	\$ 24,954
Interest	-	20	20
Total revenues	24,954	20	24,974
EXPENDITURES			
Recreation and culture	24,954	-	24,954
NET CHANGES IN FUND BALANCES	-	20	20
FUND BALANCES - BEGINNING	-	3,326	3,326
FUND BALANCES - ENDING	\$ -	\$ 3,346	\$ 3,346

**Members of the Township Board
Township of Johnstown, Michigan**

In planning and performing our audit of the financial statements of the Township of Johnstown as of and for the year ended March 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Township of Johnstown's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Our consideration of internal control included procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented, but it did not include procedures to test the operating effectiveness of controls, and accordingly, was not directed to discovering significant deficiencies in internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control that we consider to be a material weakness.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiency constitutes a material weakness.

The Township does not have procedures in place to prepare financial statements in accordance with U.S. generally accepted accounting principles, including procedures to record revenue and expenditure accruals, and changes in capital assets, and to present required financial statement disclosures.

This communication is intended solely for the information and use of the Board of Trustees of the Township of Johnstown and the State of Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.

Siegfried Crandall P.C.

July 26, 2007